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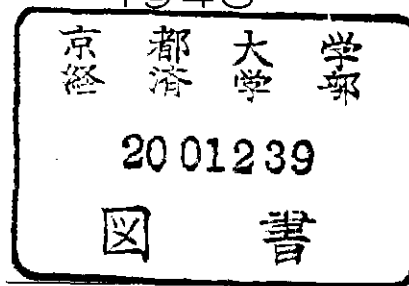
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## THE CO-OPERATIVE MOVEMENT UNDER WARTIME ECONOMIC CONTROL

By YOSHINOSUKE YAGI

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### 1.

Much attention is now being directed to the question of how the organization of the *sangyō kumiai* (co-operative societies), which have been remarkably active since the outbreak of the China affair, ought to be reformed and strengthened, in order that they may fulfil their mission within the framework of the wartime economic system; which is bound to become more highly organized to meet the situation arising out of the European war. It is hardly necessary to say that in wartime all economic activities have to be controlled for the attainment of the national aim, and that the economic activities of co-operative societies cannot form an exception to the rule. How, then, should the character of the co-operative societies be changed and what will be the position assigned to them under wartime controlled economy?

Needless to say, the position which co-operative societies occupy under wartime controlled economy will be conditioned by the stage of development reached by such an economy, that is, by the degree of intensity realized. I propose to discuss the subject on the assumption that Japan's wartime controlled economy will become more and more intensified. (1) How, under such wartime controlled economy, will the character of co-operative societies, which are essentially independent and autonomous be affected, and how will their guiding principles altered, and (2) what position will be assigned to them as wartime controlled economy develops to a higher degree of intensity? In other words, how and in what respects will co-operative societies be transformed

or revised? In the present article, I propose to set forth my opinions frankly on these points.

2.

Let me first consider the changes which will take place in the independent and autonomous character of the co-operative societies and in their fundamental principles in consequence of the development of wartime controlled economy. Being a product of the age of liberal economy, co-operative societies have hitherto been influenced in many respects by conceptions of this nature. They were originally organized as independent and autonomous bodies of farmers—the small producers under the liberal economy—and other citizens, both for protection and for the promotion of their own interests. However, since the national economic system, on which they are dependent for development, has progressed from a liberal to a controlled economy which in turn has seen further intensification under wartime conditions, it has become inevitable that their fundamental character and guiding principles should undergo changes of one form or another.

In order to understand the changes which wartime economic control entails in the essential character and the guiding principles of the co-operative societies, it is necessary to grasp the essential features of present-day wartime controlled economy.

As I have already mentioned, under wartime controlled economy, all economic activities must be subordinated to the attainment of the national aim. For, as a modern war is necessarily on a very large scale, any country, no matter how plentiful its supplies of labour and materials, would be obliged to curb private consumption, which is free in time of peace, so as to ensure an adequate supply of the materials necessary for military purposes; while, on the other hand, the production and distribution of materials must be controlled in the manner best calculated to advance the national

object of prosecuting the war to a successful conclusion. It therefore follows that in contrast with peacetime economy, the production, distribution and consumption of materials have to be more intensively controlled and planned under a wartime economy. In certain extreme cases, indeed, it is even possible that the State would not only plan production of the materials which it requires but that it would take over their distribution as well. It is, however, impossible to introduce such a system of State management in all sections of industry and at all stages of the distribution of materials. Nor is it possible to say that State enterprises are invariably more efficient than private undertakings, and in all sections of industry.

Under wartime controlled economy as now enforced, therefore, it is well to recognize the existence of private enterprises in all industries excepting only a few special types, in order that the originality of which private enterprises are capable may be utilized to advance the general interests of national economy. Structural defects inherent in private profit-seeking undertakings, however, must be removed. All private enterprises, whether conducted by individuals or by cartels or other similar organizations, have a dual objective, provided they are profit-making undertakings. One is the pursuit of profit—the main aim of private enterprises—and the other is the performance of a public function in meeting the needs of national life and national policy, thereby contributing to the stability of national life and the achievement of the aims of the national policy. The former implies the pursuit of private interest and the latter the service of the public interest. As, in wartime, all private enterprises must serve the national purpose, it is essential that control should be exercised over the pursuit of profit, one of the objects of these private enterprises, in order to ensure the realization of the public aim. It is through the sale of manufactures of their own production that private enterprises now-a-days seek and realize profits. If in this case the form of control hitherto

enforced in regard to profit-making and capital is left unrevised, so as to enable private enterprises to indulge in profit-making, monopoly prices will be created, and this will stimulate the rising tendency of prices, with the result that the interests of consumers generally will be seriously impaired, on the one hand, and an adequate supply of war materials will be rendered difficult, on the other. While fixing the sale prices of commodities officially, therefore, the State must seek to control the profit-making aspect of private enterprise. The same consideration should be given to the profits earned by merchants who are concerned with the distribution of commodities. Thus, under wartime controlled economy, the safeguarding of the public interest must form the primary objective of private enterprise.

As already noted, in connection with our present wartime controlled economy, it seems advisable to recognize private enterprises instead of placing all industries under State management, as in the case of a complete State planned economy. While recognizing the continued existence of all forms of private enterprises, however, the State must secure their affiliation with the guilds created compulsorily in each section of industry and distribution, so that the processes of production and distribution may be organized efficiently. As a matter of fact, things are moving in this direction. The State should take the further step of indicating to the guilds formed by productive enterprises the kinds and quantities of materials which they are expected to produce in order to meet the national requirements in connection with the expansion of productive power and in the public interest; thus undertaking the dual rôle of regulating and promoting production throughout the country. To the guilds concerned with the distribution of materials, it should designate the kinds and quantities of materials to be distribute in order to ensure a smooth and even distribution.

The characteristics of wartime controlled economy at the stage it has now reached may be summed up as follows:  
(1) While recognizing the continued existence of private

enterprises, restrictions are placed on their profit-making activities so as to induce them to direct greater attention to the fulfilment of their other function, namely, the public service, and (2) rigid State control is exercised over production, distribution and prices of commodities through the guilds which private enterprises are compelled to organize among themselves.

### 3.

I have made clear the nature of wartime controlled economy at the stage now reached. Let us now consider how the progressive development of this wartime controlled economy will affect the character and basic principles of the co-operative societies. First, I should like to consider what effect the compulsion which wartime controlled economy applies to private enterprises with a view to emphasizing the service of the public interest will have upon the co-operative societies. In the second place I shall attempt to explain how the rigid State control which is exercised, under the organization of wartime controlled economy, over the production and distribution of materials through the guilds compulsorily formed, will affect these co-operative societies.

As I have already pointed out, the present wartime controlled economy takes the form of State control of economy in the public interest. In what relation, then, does the control which co-operative societies exercise over their members stand to this controlled economy? Needless to say, co-operative societies, being organizations designed to advance the interests of their members, their control is directed towards this end, and is not designed directly to further the public interest. These societies strive to promote unity among their members in the maintenance of common standards and a common prosperity, but the common welfare and prosperity which they seek enhance is, of course, that of their members only. From this point of view, it may appear at first sight as though the control exercised by the

co-operative societies were not in perfect accord with the ideal of control exercised solely for the public good. But is this really the case?

(1) Inasmuch as the co-operative societies, being organizations of small producers (consisting mostly of farmers), aim at the improvement of the economic life of their members by protecting their interests against the aggression of capitalists who make the pursuit of profit their primary objective, such control, if not concerned directly with the promotion of the public interest, nevertheless accords well with the policy of wartime control just because it is directed towards the improvement and stabilization of the economic life of the small producer. Private business enterprises assume the pursuit of profit as their primary object, but in wartime the State controls their ordinarily unchecked pursuit of this object, and calls upon them to function in the public interest. Now, the co-operative societies are not devoted to the pursuit of profit. In general they are somewhat opposed to the money-making principle. They are organizations designed to protect the interests of the small producers from capitalistic oppression. Because their activity is constantly directed toward securing fair prices, the control which they exercise can easily be harmonized with the ideal of control in the public interest required by the emergency situation.

In spite of the fact that in wartime private enterprises are called upon to exercise their secondary function of promoting the public interest, they are apt nevertheless to retain their money-making propensities, so long as they are allowed to operate. Notwithstanding their willingness to promote the public interest, they are prone to fall victim to the temptation to increase their profits. This danger does not arise in the case of the co-operative societies, however. As their object is, not to make money, but to secure fair and equitable prices, they can the more easily act conformity with the wartime ideal of control for the public weal than can private enterprises.



(2) Secondly, whereas the control exercised by co-operative societies is meant to promote the interests of the membership, wartime State control is designed to promote the general interests of the nation. Consequently, it may be asked whether these two forms of control can be brought into perfect harmony. It is true that the control exercised by the co-operative societies does not extend beyond the own members, but the membership of the Federation of co-operative societies is nation-wide. Since, the membership is, on principle, open to all, it is theoretically possible for the control by these societies to become nation-wide in scope. The co-operative societies are, in their present stage of development, but little concerned with the production of materials. Even as regards the distribution of materials, which is their chief interest, their activity is confined for the most part to the distribution of agricultural products and the materials essential to agricultural life. Under the circumstances, control by the co-operative societies is apt to center on the promotion of certain vocational interests exclusively. Should the co-operative societies devote themselves too exclusively on the furtherance of the vocational interests of their membership—that is, of the interests of a section of the nation only—to the neglect of the general public interest, it will serve to provoke opposition in other quarters, and this will lead to a great deal of friction. When, as at present, the State requires all enterprises in the country to make national service their first duty, the co-operative societies ought to respond to this call with alacrity and adopt an attitude of collaboration with other vocational and industrial groups. By so doing, they can achieve the dual objective of serving atone and the same time the private interests of their members and the public welfare of the nation at large.

(3) Under current system of wartime controlled economy, the State ought to recognize private enterprise throughout the field of industry with certain specific exception, in order that the element of originality may be utilized to

enhance business efficiency. Since co-operative societies are actually bodies organized and operated by private individuals, they can display as much originality and energy as any private enterprise in the conduct of their business. In the present stage of wartime control, in which private enterprise—private management of business—is recognized, the co-operative societies have every reason to look forward to a continued existence.

In contrast co-operative societies in European countries, being the product of a purely individualistic and liberal age, have developed without Government protection and even in spite of restrictive policies. On the contrary, co-operative societies in Japan were established and have developed under the benevolent aegis of the Government itself. Unlike the Western organizations, therefore, Japanese co-operative societies are entities not independent of the Government. As a matter of fact, they have hitherto been entrusted by the State with the official business of control, sharing thus in the prosecution of the national economic policy, as witness their control of the distribution of fertilizer and rice and of the allotment of cocoons. In view of these considerations co-operative societies in this country might well be trusted by the Government with the task of economic control in connection with the present organization of wartime controlled economy.

#### 4.

To proceed, the present controlled economy takes the form of rigid State control over the production and distribution of materials. Private enterprises concerned with the production of materials ought to be directed to organize comprehensive guilds which should then be placed under State control. Through these guilds the State should issue to individual private enterprises directions as to the production of the materials which the present war situation may demand. Concerning the distribution of materials, the State

should induce the merchants concerned to organize themselves into guilds. Through these guilds it should then seek to control the distribution of materials in a manner best calculated to meet the wartime requirements of the State. In fact, things are gradually taking shape in this direction. In any case an efficient control of the distribution of materials is an essential pre-requisite for the enforcement of the official price system.

How will the development of wartime controlled economy in this field affect the organization of the co-operative societies, which are chiefly concerned with the distribution of agricultural products and materials essential to agricultural livelihood? As already pointed out, co-operative societies are by their very nature suited to the task of control in the public benefit which is essential for the nation in wartime and therefore they ought to share in the wartime control of industry and distribution through a further strengthening their own organization for control. How, then, ought this organization for control to be strengthened in order to achieve this object?

Being the product of an age of liberal economy, co-operative societies are essentially liberal associations, structurally speaking. Entry into and withdrawal from these societies are equally optional. Members are also free either to utilize or to disregard the facilities offered by their societies. So long as this liberal constitution remains as it is, it would be difficult for them to exercise such planned control over distribution as the national emergency requires.

Whereas the Industrial Associations Law and the Commercial Associations Law, enacted after 1925, carry clauses providing for the control of outsiders with a view to strengthening the control of these organizations, the Co-operative Societies Law carries no such qualification. This is attributed to the fact that while the former were promulgated in the age of controlled economy, the latter came into being in an age of liberal economy, some forty years ago. With the development of controlled economy, however, the need arose

of extending the power of co-operative societies in the direction of control, and the Law governing these societies was revised in 1932 in such a manner as to enable individual co-operative societies or their Federation to punish delinquent members, according to the articles of association. By this revision, co-operative societies were put in a position which enabled them to enforce their will on their members and their power of control was correspondingly strengthened. A further extension of these powers is, however, necessary in order to enable them to exercise effective control over planned wartime distribution.

In wartime, it is necessary for the State to control the distribution of materials according to plan. If co-operative societies are to function as part of the general wartime system of control over distribution, their own system of control must be so strengthened as to meet wartime requirements. As already noted, however, co-operative societies are liberal associations and entry and withdrawal are free. Their control over distribution is not applied generally, being limited to their own membership. This liberal aspect of the co-operative societies militates against their efficiency as organs for the collection of agricultural products or for the distribution of materials necessary for agricultural purposes. In wartime, therefore, co-operative societies must be vested with legal powers to render their control effective. Legal provisions should be enacted designed (1) to render the establishment and membership of these organizations compulsory (2) to secure obligatory utilization of the organization on the part of the members, and (3) to enforce obedience to the dictates of the societies in regard to the marketing of products. That is to say, each co-operative society should be empowered to force the inhabitants of the district (mostly farmers), in which it operates, to join it and to utilize it. By this means, the powers of co-operative societies in respect to the control of distribution can be strengthened, making it possible for them to fulfil their wartime functions properly. The State will then be able to make good use of the

co-operative societies as valuable aids in establishing wartime industrial control.

Although it is, no doubt, necessary, from the point of view of ensuring efficient control over the distribution of materials, to strengthen the organization of the co-operative societies in connection with the control of distribution, care must at the same time be taken to establish proper limits to the control exercised by them, as extension of their control to all sections of distribution and in respect to all commodities would be tantamount to a negation or elimination of the commercial organism hitherto in operation. While strengthening the organization of the co-operative societies, the State must clearly define the sectors of distribution and the kinds of materials to be distributed by co-operative societies and commercial organizations respectively. In effecting this adjustment of functions between these two bodies, (1) care must be taken to see that the highest possible efficiency is secured in connection with the wartime distribution of materials and (2) attention must be directed to the need for avoiding needless friction between the various industries.

From the first-mentioned point of view, commercial interests must be induced to form guilds among themselves, as efficient distribution of materials is impossible when left in the hands of merchants who are not properly organized. It is also imperative that the business license system should be adopted in commerce, as the present system under which any one is free to set up in business, tends to increase the number of tradespeople indiscriminately, which often results in defective distribution of materials. The adjustment of the functions allotted to the commercial class and to the co-operative societies must be effected as between the well-organized commercial guilds and the co-operative societies. How, then, ought the activities of these guilds and co-operative societies to be adjusted, in order to avoid friction in the matter of the wartime distribution of materials? In the study of this subject, I shall confine my attention to the

sales and purchase branches of the co-operative societies.

(1) Concerning the control of the sales of agricultural products, it is advisable, in view of the present state of development of the co-operative societies, to make use of these societies chiefly as organs for the collection of such products, while utilizing commercial guilds chiefly as organs for the distribution of products in urban districts. By allocating the distributing functions between them in this way the adjustment between the two bodies should be facilitated. Co-operative societies can, through the medium of their Federation, arrange for the marketing of agricultural products on a large, and can attend efficiently to the sorting of these products and to the business of working them up into finished goods. By arranging for mass transportation economies can also be effected in the cost of distribution. The rationalization of the process of collection and economies in the cost of distribution can thus be realized. As regards the distribution of agricultural products in urban districts, however, the co-operation of urban commercial societies must be enlisted, as the purchasing societies and consumers' co-operative societies in urban districts, to which the co-operative societies ought to be linked directly, are not yet fully developed.

(2) So far as the control over the distribution of industrial and economic goods essential to agricultural life is concerned (the purchasing aspect of the co-operative societies), it is advisable that the co-operative societies should be entrusted with the distribution of the materials necessary for agricultural production such as fertilizer, seedlings, fodder, agricultural implements and raw materials, as they are effective in the handling of materials whose prices are not subject to frequent fluctuations. As regards other goods necessary for the economic life of farmers, it is advisable to fix the ratio of distribution as between the co-operative societies and the commercial guilds and, in the light of past experience.

Once the organs for the distribution of materials have

been properly adjusted in this manner they should be placed under the control and supervision of the State. Through their activity the smooth distribution of materials should be ensured, on the one hand, and the cost of distribution reduced, on the other, thereby placing wartime distribution of materials on a truly efficient basis.

### 5.

Again, in wartime, the State must put forth positive efforts to expand productive power by consolidating its control over industry and securing an adequate supply of war materials. In the field of agriculture, the output of products in military demand and of foodstuffs must be increased through the expansion of agricultural productive power. For co-operative societies to co-operate with the Government effectively, in the matter of expanding agricultural productive power, their efforts must be directed towards ensuring a cheap and plentiful supply to farmers of the materials requisite for agricultural production by improvements in the method of distribution. Furthermore, they must link themselves closely to the process of agricultural production. That is to say, they must help forward the expansion of agricultural productive power by promoting the common use of agricultural implements and co-operation in agricultural enterprises. The work of promoting co-operation in agricultural production has hitherto been undertaken chiefly by small associations of farmers such as the agricultural project guilds or the sericultural project guilds rather than by the co-operative societies, but since the way was opened for the affiliation of these small agricultural guilds with the co-operative societies by the revision of the Co-operative Society Law in 1932, opportunities have multiplied for a more intimate linking up of the co-operative societies with agricultural production. If the co-operative societies are to contribute to the expansion of agricultural productive power, therefore, it is imperative that the small agricultural guilds should be absorbed into them. In view, however, of the fact that the small agricultural guilds

have hitherto been chiefly under the guidance of agricultural societies and that co-operative societies are lacking in both personal and material equipment capable of giving technical guidance to farmers in the sphere of production, it is advisable that the agricultural societies and the co-operative societies should be amalgamated. This merger is necessary not only with a view to strengthening the control over agricultural bodies but for unifying the control over marketing and the collection of agricultural products.

Agricultural associations were originally formed with the object of giving technical guidance to agriculture, but when, after the World War, the regulation of the prices of agricultural products came to form an important part of Japanese agricultural policy, they began to take an active interest in the sales of these products. As a result, competition arose between this intermediary business of the agricultural associations and the marketing branch of the co-operative societies, with the result that control over the sales of agricultural products has often been interfered with. With a view to promoting co-operation between these organizations, therefore, (1) it was urged that a clear line of demarcation should be drawn between their respective spheres of activity by fixing the kinds of agricultural products to be handled by each, as, for instance, rice, barley, wheat, peas beans and charcoal, in other words the cereals and charcoal, which were to be the concern of the co-operative societies, and fruit and vegetables which were to be handled by the agricultural associations. (2) It was also urged, having regard to the functions properly inherent in agricultural associations and co-operative societies, that the former, whose proper functions are to give technical guidance to agriculture, should concern themselves with the elaboration of plans for agricultural production and with the improvement of the quality of agricultural products, while the sales branch should be entrusted to the latter, so that respective sphere of activity might be duly fixed.

The first-mentioned method is an opportunist solution



based on the actual state of things, and, since the part being played by agricultural associations in the sale of agricultural products is simply intermediary and, moreover, as their control over marketing lacks legal force, it is on the whole defective as a method of wartime control over the distribution of agricultural products. The second solution, requires that co-operative societies shall take charge of agricultural products, while agricultural associations are to undertake the technical guidance of agriculture, so that their respective spheres of activity may be clearly differentiated. But seeing that the collective sale of farm products naturally involves control over marketing and the standardization of grades and quality and that under wartime control of distribution, the planned production of agricultural crops and the planned control of manuring are essential, it is impossible to treat the sales branch and the control of distribution as entities entirely independent of guidance in the technique of production. Such being the case, it must be admitted that it is essential if ever object is the increase of agricultural production and the strengthening of control over distribution, that agricultural associations and co-operative societies should be amalgamated.

## 6.

So far I have attempted to explain the essentials of current wartime controlled economy, and have pointed out that, since co-operative societies are not money-making organizations, they are able to adapt themselves admirably to controlled economy, serving the public interest in a manner calculated to satisfy present wartime requirements; and I have made clear at the same time that the object of intensifying control over production and distribution, in conformity with the needs of wartime controlled economy, can be achieved by reorganizing the co-operative societies into associations, entry into which is compulsory, in the first instance, while

the utilization of the services of the societies by the membership is rendered obligatory. I have also pointed out that if the State desires to strengthen the organization of the co-operative societies to meet wartime requirements, it must strive to adjust the relations between these societies and the commercial societies by defining their respective functions. As to how to adjust these relations and the method of allocating the respective function, I have already set forth my views. Lastly, I have stressed the need for a merger of the co-operative societies and the agricultural associations, in order to strengthen the measure of control over the production and distribution of agricultural products.

With the progress of wartime economic control, more and more semi-official "policy" companies are being established to strengthen the State control over the sale and purchase of agricultural products. This leads to a gradual diminution in the scope of the functions of the *Zenhanren* and the *Zenkoren*, the central federal organs of the co-operative for marketing and purchasing. It must be remembered, however, in view of the non-money-making and the public utility character of the operative societies, that it is at once advisable and urgent that the State should make full use of these organizations in the furtherance of the wartime State control. So long as the co-operative societies remain autonomous and liberal organizations, however, there are necessary limits to a more rapid development of this policy. As speedy and vigorous control is essential in wartime, it is inevitable that the autonomous and independent control hitherto exercised by the co-operative societies should gradually assume the aspect of State control. From this point of view, it may be said that the co-operative societies can be made to fulfil their functions more successfully under a wartime controlled economy by a gradual abandonment of their liberal and autonomous principles.